

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing: 	Printed Name		License Number	

VILLAGE OF MUIR
Ionia County, Michigan

Comprehensive Annual Financial Report

For the period ended June 30, 2006

VILLAGE OF MUIR
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For the period ended June 30, 2006

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

July 25, 2006

The Village Council
Village of Muir
Muir, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Muir (the "Village") as of and for the period ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Village. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2006, and the respective changes in financial position and cash flows of its proprietary fund types for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Muir. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2006

As management of the Village of Muir (“the Village”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Village for the period ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Village’s financial statements, which immediately follow this section.

Financial Highlights

- The Village’s net assets increased by \$194,952 (or 10.4 percent).
- Total expenses of the Village’s programs were \$841,922.
- Total revenues, including all program and general revenues, were \$1,036,874.
- At the close of the current year, the Village’s governmental funds reported combined ending fund balances of \$369,186, a decrease of \$39,943 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$332,417, or 80 percent of total General Fund expenditures.
- The Village’s Sewer Enterprise Fund had \$808,521 in net assets at year-end.
- The Village’s Water Enterprise Fund had \$618,298 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village’s basic financial statements. The Village’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village’s finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer and water usage fees and special assessments).

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2006

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, roads and parks. The business-type activities of the Village are the Sewer Enterprise Fund and the Water Enterprise Fund.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Major Street Fund, each of which are considered to be major funds. Data from the Local Street Fund is presented as other governmental. The basic governmental fund financial statements can be found on pages 14-20 of this report.

The Village adopts an annual appropriated budget for its General Fund, Major Street Fund and Local Street Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary funds are used to report the same functions presented as business-type activity in the government-wide financial statements. The Village maintains the Sewer Enterprise Fund to account for its sanitary sewer usage operation and maintenance and the Water Enterprise Fund to account for its water usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 25-39 of this report.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2006

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Muir, assets exceeded liabilities by \$2,065,113 at the close of the fiscal year.

A substantial portion of the Village's net assets, \$1,027,024 (50 percent), reflects its investment in capital assets (e.g. land, land improvements, buildings, sewer system), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Statement of Net Assets provides financial information on the Village as a whole as of June 30, 2006.

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 373,694	\$ 568,364	\$ 942,058
Note receivable	—	140,617	140,617
Capital assets	269,108	2,478,895	2,748,003
Total Assets	642,802	3,187,876	3,830,678
Liabilities			
Current liabilities	4,508	130,078	134,586
Long-term liabilities	—	1,630,979	1,630,979
Total Liabilities	4,508	1,761,057	1,765,565
Net Assets			
Invested in capital assets, net of related debt	269,108	757,916	1,027,024
Restricted	36,769	278,880	315,649
Unrestricted	332,417	390,023	722,440
Total Net Assets	\$ 638,294	\$ 1,426,819	\$ 2,065,113

An additional portion of the Village's net assets, \$315,649 (15.3 percent) represents resources that are subject to external restrictions on how they may be used. The Village may use the remaining balance of unrestricted net assets of \$722,440 (35 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2006

The Statement of Activities presents changes in net assets from operating results for the period ended June 30, 2006:

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 10,428	\$ 270,680	\$ 281,108
General Revenues			
Property taxes	120,945	—	120,945
State/intergovernmental revenue	371,582	212,145	583,727
Interest earnings	5,045	14,167	19,212
Other	7,479	24,403	31,882
Total Revenues	<u>515,479</u>	<u>521,395</u>	<u>1,036,874</u>
Expenses			
General government	380,322	—	380,322
Public safety	18,628	—	18,628
Public works	148,105	—	148,105
Recreation and cultural	4,498	—	4,498
Other village	15,575	—	15,575
Sewer operations	—	96,827	96,827
Water operations	—	177,967	177,967
Total Expenses	<u>567,128</u>	<u>274,794</u>	<u>841,922</u>
Increase (decrease) in net assets	(51,649)	246,601	194,952
Net Assets - Beginning of Year	<u>689,943</u>	<u>1,180,218</u>	<u>1,870,161</u>
Net Assets - End of Year	<u><u>\$ 638,294</u></u>	<u><u>\$ 1,426,819</u></u>	<u><u>\$ 2,065,113</u></u>

Governmental activities decreased the Village's net assets by \$51,649. This decrease was due to an increase in expenditures for major and local street in excess of budget.

Business-type activities increased the Village's net assets by \$246,601 due to the receipt of State grants to fund Sewer system improvements.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2006

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$369,186, a decrease of \$39,943 in comparison with the prior year. 90 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Village's discretion.

Village of Muir's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$424,264, total expenditures of \$415,968, and transfers to other funds of \$25,000. It ended the period with a fund balance of \$332,417, down from \$349,121 at February 28, 2005.

The *Major Streets Fund* accounts for major street operating activities. The Fund had total revenues of \$60,548 and total expenditures of \$90,285. It ended the period with a fund balance of \$17,419, down from \$47,156 at February 28, 2005.

Nonmajor Funds

The *Local Streets Fund* accounts for local street operating activities. The fund had total revenues of \$30,667, transfers from the General Fund of \$25,000 and total expenditures of \$49,169. It ended the period with a fund balance of \$19,350.

Proprietary Fund. The Village's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Sewer Enterprise Fund had total revenues of \$278,558, total expenses of \$96,827, and an increase in net assets of \$181,731 from June 30, 2005. The Water Enterprise Fund had total revenues of \$242,837, total expenses of \$177,967, and an increase in net assets of \$64,870 from June 30, 2005. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the Village revised the annual operating budget to comply with Michigan Department of Treasury guidelines. The budget amendments were made to reflect changes in revenues and expenditures as they occurred during the year.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2006

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the Village had a \$4,027,621 investment in a broad range of capital assets, including land, land improvements and buildings and improvements. (More detailed information about capital assets can be found in the notes to basic financial statements.)

Capital asset purchases totaled \$264,853 for the period with accumulated depreciation increasing \$109,842. The net book value of capital assets at June 30, 2006 is detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 25,750	\$ 58,500	\$ 84,250
Buildings and improvements	26,861	—	26,861
Sewer and water systems	—	2,420,395	2,420,395
Machinery and equipment	212,020	—	212,020
Office equipment and furniture	4,477	—	4,477
Net Capital Assets	<u><u>\$ 269,108</u></u>	<u><u>\$ 2,478,895</u></u>	<u><u>\$ 2,748,003</u></u>

Long-Term Debt

At year end, the Village had \$1,720,979 in revenue bonds outstanding. Prior year debt balances were increased by additional borrowings of \$3,268 and reduced by payments of \$90,000 during the current year. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the Village's Future

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Village's initial General Fund budget for 2006-07 anticipates an increase in year end fund balance of \$9,550. This estimate reflects a continuing effort to control/reduce costs within the Village, while continuing to maintain a high quality of taxpayer service.

Contacting the Village's Financial Management

This financial report is designed to provide the Village's citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Stewart, Village Clerk, Village of Muir, PO Box 205, Muir, MI, 48860-0205.

BASIC FINANCIAL STATEMENTS

VILLAGE OF MUIR
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 294,280	\$ 232,690	\$ 526,970
Accounts receivable	-	41,089	41,089
Due from other funds (Note C)	33,979		33,979
Due from other governmental units	32,199		32,199
Current maturities of note receivable	-	15,705	15,705
Restricted assets:			
Cash equivalents, deposits and investments (Note B)	-	278,880	278,880
Prepaid expenses	13,236	-	13,236
Total Current Assets	<u>373,694</u>	<u>568,364</u>	<u>942,058</u>
Noncurrent Assets			
Note receivable from Village of Lyons, net of current portion	-	140,617	140,617
Capital assets, net of accumulated depreciation (Note D)	269,108	2,478,895	2,748,003
Total Noncurrent Assets	<u>269,108</u>	<u>2,619,512</u>	<u>2,888,620</u>
Total Assets	<u>642,802</u>	<u>3,187,876</u>	<u>3,830,678</u>
Liabilities			
Current Liabilities			
Accounts payable	-	5,400	5,400
Payroll withholdings	4,508		4,508
Due to other funds (Note C)	-	33,979	33,979
Due to other governmental units	-	699	699
Current portion of noncurrent liabilities	-	90,000	90,000
Total Current Liabilities	<u>4,508</u>	<u>130,078</u>	<u>134,586</u>
Noncurrent Liabilities (Note E)			
Revenue bonds payable	-	1,720,979	1,720,979
Less current portion of noncurrent liabilities	-	(90,000)	(90,000)
Total Noncurrent Liabilities	<u>-</u>	<u>1,630,979</u>	<u>1,630,979</u>
Total Liabilities	<u>4,508</u>	<u>1,761,057</u>	<u>1,765,565</u>
Net Assets			
Invested in capital assets, net of related debt	269,108	757,916	1,027,024
Restricted for:			
Water and sewer		278,880	278,880
Major street	17,419	-	17,419
Local street	19,350	-	19,350
Unrestricted	332,417	390,023	722,440
Total Net Assets	<u>\$ 638,294</u>	<u>\$ 1,426,819</u>	<u>\$ 2,065,113</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Activities
For the period ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 380,322	\$ 10,428	\$ -	\$ -
Public safety	18,628	-	-	-
Public works	148,105	-	68,781	-
Recreation and cultural	4,498	-	-	-
Other village	15,575	-	-	-
Total governmental activities	567,128	10,428	68,781	-
Business-type activities:				
Sewer	96,827	36,553	-	206,660
Water	177,967	234,127	-	5,485
Total business-type activities	274,794	270,680	-	212,145
Total Primary Government	\$ 841,922	\$ 281,108	\$ 68,781	\$ 212,145

General revenues:
Property taxes levied for:
 General operations
State revenue sharing
Reimbursement revenue
Unrestricted investment earnings
Other revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (369,894)	\$ -	\$ (369,894)
(18,628)	-	(18,628)
(79,324)	-	(79,324)
(4,498)	-	(4,498)
(15,575)	-	(15,575)
(487,919)	-	(487,919)
-	146,386	146,386
-	61,645	61,645
-	208,031	208,031
(487,919)	208,031	(279,888)
120,945	-	120,945
106,811	-	106,811
195,990	24,403	220,393
5,045	14,167	19,212
7,479	-	7,479
436,270	38,570	474,840
(51,649)	246,601	194,952
689,943	1,180,218	1,870,161
<u>\$ 638,294</u>	<u>\$ 1,426,819</u>	<u>\$ 2,065,113</u>

VILLAGE OF MUIR
Balance Sheet
Governmental Funds
June 30, 2006

	General	Special Revenue Major Streets	Other Governmental Local Streets	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 266,037	\$ 11,304	\$ 16,939	\$ 294,280
Due from other governmental units	23,673	6,115	2,411	32,199
Due from other funds (Note C)	33,979	-	-	33,979
Prepaid insurance	13,236	-	-	13,236
Total Assets	<u>\$ 336,925</u>	<u>\$ 17,419</u>	<u>\$ 19,350</u>	<u>\$ 373,694</u>
Liabilities and Fund Balances				
Liabilities				
Payroll withholdings	<u>\$ 4,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,508</u>
Fund Balances				
Unreserved:				
Designated, reported in:				
Special revenue funds	-	17,419	19,350	36,769
Undesignated	<u>332,417</u>	<u>-</u>	<u>-</u>	<u>332,417</u>
Total Fund Balances	<u>332,417</u>	<u>17,419</u>	<u>19,350</u>	<u>369,186</u>
Total Liabilities and Fund Balances	<u>\$ 336,925</u>	<u>\$ 17,419</u>	<u>\$ 19,350</u>	<u>\$ 373,694</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
For the period ended June 30, 2006

Total Governmental Fund Balances	\$ 369,186
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$446,400 and accumulated depreciation is \$177,292

269,108

Total net assets - governmental activities

\$ 638,294

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the period ended June 30, 2006

	General	Special Revenue Major Streets	Other Governmental Local Streets	Total
Revenues				
Taxes	\$ 98,611	\$ 11,167	\$ 11,167	\$ 120,945
State sources	106,811	49,331	19,450	175,592
Intergovernmental sources	195,990	-	-	195,990
Charges for services	10,428	-	-	10,428
Interest	5,045	-	-	5,045
Other	7,379	50	50	7,479
Total Revenues	424,264	60,548	30,667	515,479
Expenditures				
Current:				
General government	377,267	-	-	377,267
Public safety	18,628	-	-	18,628
Public works	-	90,285	49,169	139,454
Recreation and cultural	4,498	-	-	4,498
Other village	15,575	-	-	15,575
Total Expenditures	415,968	90,285	49,169	555,422
Excess (Deficiency) of Revenues Over Expenditures	8,296	(29,737)	(18,502)	(39,943)
Other Financing Sources (Uses)				
Transfers in	-	-	25,000	25,000
Transfers out	(25,000)	-	-	(25,000)
Total Other Financing Sources (Uses)	(25,000)	-	25,000	-
Net Change in Fund Balances	(16,704)	(29,737)	6,498	(39,943)
Fund Balances, March 1, 2005	349,121	47,156	12,852	409,129
Fund Balances, June 30, 2006	\$ 332,417	\$ 17,419	\$ 19,350	\$ 369,186

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the period ended June 30, 2006

Net change in fund balances - total governmental funds \$ (39,943)

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized and
the cost is allocated over their estimated useful lives as depreciation
expense. This is the amount by which depreciation exceeded capital
outlays in the current period.

Capital outlays	\$ 4,000	
Depreciation expense	<u>(15,706)</u>	<u>(11,706)</u>

Total change in net assets - governmental activities \$ (51,649)

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the period ended June 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 90,000	\$ 102,000	\$ 98,611	\$ (3,389)
State sources	75,400	100,400	106,811	6,411
Intergovernmental sources	118,000	149,200	195,990	46,790
Charges for services	2,000	4,000	10,428	6,428
Interest	1,500	1,500	5,045	3,545
Other revenue	-	-	7,379	7,379
Total Revenues	<u>286,900</u>	<u>357,100</u>	<u>424,264</u>	<u>67,164</u>
Expenditures				
Current:				
General government	256,900	332,500	377,267	(44,767)
Public safety	13,500	19,800	18,628	1,172
Recreation and cultural	5,000	5,000	4,498	502
Other village	14,000	14,000	15,575	(1,575)
Total Expenditures	<u>289,400</u>	<u>371,300</u>	<u>415,968</u>	<u>(44,668)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,500)</u>	<u>(14,200)</u>	<u>8,296</u>	<u>22,496</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net Change in Fund Balances	<u>(2,500)</u>	<u>(14,200)</u>	<u>(16,704)</u>	<u>(2,504)</u>
Fund Balances, March 1, 2005	<u>349,121</u>	<u>349,121</u>	<u>349,121</u>	<u>-</u>
Fund Balances, June 30, 2006	<u>\$ 346,621</u>	<u>\$ 334,921</u>	<u>\$ 332,417</u>	<u>\$ (2,504)</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Major Streets Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the period ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 11,000	\$ 11,167	\$ 167
State sources	30,000	49,331	19,331
Other revenue	<u>1,000</u>	<u>50</u>	<u>(950)</u>
Total Revenues	<u>42,000</u>	<u>60,548</u>	<u>18,548</u>
Expenditures			
Current:			
Public works	<u>63,900</u>	<u>90,285</u>	<u>(26,385)</u>
Net Change in Fund Balances	(21,900)	(29,737)	(7,837)
Fund Balances, March 1, 2005	<u>47,156</u>	<u>47,156</u>	<u>-</u>
Fund Balances, June 30, 2006	<u><u>\$ 25,256</u></u>	<u><u>\$ 17,419</u></u>	<u><u>\$ (7,837)</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Local Streets Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the period ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 11,000	\$ 11,167	\$ 167
State sources	13,000	19,450	6,450
Other revenue	1,000	50	(950)
	<u>25,000</u>	<u>30,667</u>	<u>5,667</u>
Total Revenues			
Expenditures			
Current:			
Public works	30,500	49,169	(18,669)
	<u>30,500</u>	<u>49,169</u>	<u>(18,669)</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,500)	(18,502)	5,667
Other Financing Sources (Uses)			
Transfers in	-	25,000	25,000
	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Net Change in Fund Balances	(5,500)	6,498	30,667
Fund Balances, March 1, 2005	12,852	12,852	-
	<u>12,852</u>	<u>12,852</u>	<u>-</u>
Fund Balances, June 30, 2006	<u>\$ 7,352</u>	<u>\$ 19,350</u>	<u>\$ 30,667</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Sewer	Water	Totals
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 205,313	\$ 27,377	\$ 232,690
Accounts receivable	5,868	35,221	41,089
Current maturities of note receivable	-	15,705	15,705
Restricted assets:			
Cash equivalents, deposits and investments (Note B)	125,845	153,035	278,880
Total Current Assets	<u>337,026</u>	<u>231,338</u>	<u>568,364</u>
Noncurrent Assets			
Note receivable from Village of Lyons, net of current portion	-	140,617	140,617
Property, plant and equipment, net of accumulated depreciation (Note D)	472,194	2,006,701	2,478,895
Total Noncurrent Assets	<u>472,194</u>	<u>2,147,318</u>	<u>2,619,512</u>
Total Assets	<u>809,220</u>	<u>2,378,656</u>	<u>3,187,876</u>
Liabilities			
Current Liabilities			
Accounts payable	-	5,400	5,400
Due to other funds (Note C)	-	33,979	33,979
Due to other governmental units	699	-	699
Current portion of noncurrent liabilities	-	90,000	90,000
Total Current Liabilities	<u>699</u>	<u>129,379</u>	<u>130,078</u>
Noncurrent Liabilities (Note E)			
Revenue bonds payable, net of current portion	-	1,630,979	1,630,979
Total Noncurrent Liabilities	<u>-</u>	<u>1,630,979</u>	<u>1,630,979</u>
Total Liabilities	<u>699</u>	<u>1,760,358</u>	<u>1,761,057</u>
Net Assets			
Invested in capital assets, net of related debt	472,194	285,722	757,916
Restricted	125,845	153,035	278,880
Unrestricted	210,482	179,541	390,023
Total Net Assets	<u>\$ 808,521</u>	<u>\$ 618,298</u>	<u>\$ 1,426,819</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the period ended June 30, 2006

	Sewer	Water	Total
Operating Revenues			
Water sales	\$ -	\$ 225,920	\$ 225,920
Sewage disposal services	34,961	-	34,961
Hydrant rental	-	6,000	6,000
State grants	206,660	5,485	212,145
Reimbursement revenue	24,403	-	24,403
Other revenue	1,592	2,207	3,799
Total Operating Revenues	<u>267,616</u>	<u>239,612</u>	<u>507,228</u>
Operating Expenses			
Administration	-	-	-
Plant operations and maintenance	60,868	74,550	135,418
Depreciation	35,959	58,177	94,136
Total Operating Expenses	<u>96,827</u>	<u>132,727</u>	<u>229,554</u>
Operating Income	<u>170,789</u>	<u>106,885</u>	<u>277,674</u>
Nonoperating Revenues (Expenses)			
Interest income	10,942	3,225	14,167
Interest expense	-	(45,240)	(45,240)
Total Nonoperating Revenues (Expenses)	<u>10,942</u>	<u>(42,015)</u>	<u>(31,073)</u>
Change in Net Assets	181,731	64,870	246,601
Net Assets, Beginning of Year	<u>626,790</u>	<u>553,428</u>	<u>1,180,218</u>
Net Assets, End of Year	<u><u>\$ 808,521</u></u>	<u><u>\$ 618,298</u></u>	<u><u>\$ 1,426,819</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Cash Flows
Proprietary Funds
For the period ended June 30, 2006

	Sewer Enterprise	Water Enterprise	Total
Cash Flows From Operating Activities			
Receipts from customers and grantors	\$ 284,457	\$ 248,919	\$ 533,376
Payments to suppliers for goods and services	(60,868)	(69,150)	(130,018)
Net Cash Provided By Operating Activities	<u>223,589</u>	<u>179,769</u>	<u>403,358</u>
Cash Flows From Capital and Related Financing Activities			
Interest paid on bonds	-	(45,240)	(45,240)
Proceeds from issuance of bonds	-	3,268	3,268
Principal payment on bonds	-	(90,000)	(90,000)
Collection on note receivable	-	18,678	18,678
Payment on due to General Fund	-	(21,021)	(21,021)
Acquisition of capital assets	(253,451)	-	(253,451)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(253,451)</u>	<u>(134,315)</u>	<u>(387,766)</u>
Cash Flows From Investing Activities			
Purchase of investments	-	(21,149)	(21,149)
Sale of investments	39,058	-	39,058
Interest received	10,942	3,225	14,167
Net Cash Provided (Used) By By Investing Activities	<u>50,000</u>	<u>(17,924)</u>	<u>32,076</u>
Net Increase In Cash and Cash Equivalents	20,138	27,530	47,668
Cash and Cash Equivalents, beginning of year	<u>32,031</u>	<u>106,663</u>	<u>138,694</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 52,169</u></u>	<u><u>\$ 134,193</u></u>	<u><u>\$ 186,362</u></u>

Cash and cash equivalents are captioned on the Statement of Net Assets as follows:

Cash equivalents, deposits and investments	\$ 13,954	\$ 27,377	\$ 41,331
Restricted cash equivalents, deposits and investments	<u>38,215</u>	<u>106,816</u>	<u>145,031</u>
	<u><u>\$ 52,169</u></u>	<u><u>\$ 134,193</u></u>	<u><u>\$ 186,362</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Cash Flows (Continued)
Proprietary Funds
For the period ended June 30, 2006

**Reconciliation of Operating Income To Net Cash
Provided By Operating Activities**

Operating income	<u>\$ 170,789</u>	<u>\$ 106,885</u>	<u>\$ 277,674</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	35,959	58,177	94,136
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	12,922	9,307	22,229
(Increase) decrease in due from other governmental units	3,220	-	3,220
Increase (decrease) in accounts payable	-	5,400	5,400
Increase (decrease) in due to other governmental units	699	-	699
Total adjustments	<u>52,800</u>	<u>72,884</u>	<u>125,684</u>
Net Cash Provided By Operating Activities	<u><u>\$ 223,589</u></u>	<u><u>\$ 179,769</u></u>	<u><u>\$ 403,358</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Note A – Summary of Significant Accounting Policies

The Village of Muir, Michigan was organized as a general law village under applicable laws of the State of Michigan and was incorporated as a village in 1856, under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Village is governed by a Council which consists of a President, Clerk, Treasurer and six Council members. The Village provides, or contributes to the providing of the following services to its residents as provided by statute: public safety (fire), highways and streets, sewer and water, parks and recreation, public improvements, planning and zoning, general administrative and other services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to local units of government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Governmental Funds of the Village of Muir received approval from the State of Michigan to change their fiscal year end from February 28 to June 30. The financial statements report a sixteen month period for the governmental funds, from March 1, 2005 to June 30, 2006. The enterprise funds report a twelve month period from July 1, 2005 to June 30, 2006.

The more significant of the Village's accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The Village is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Village for financial statement presentation purposes, and the Village is not included in any other governmental reporting entity. Consequently, the Village's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Village as a whole. The reported information includes all of the nonfiduciary activities of the Village. The Village does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Village. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Major Streets Fund* accounts for the financial resources of the general government that provide repairs and improvements to major streets in the Village.

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* accounts for the operations of the Village's sewer department that provides sewer services to residents of the Village on a user charge basis.

The *Water Enterprise Fund* accounts for the operations of the Village's water department that provides water services to residents of the Village on a user charge basis.

Additionally, the Village reports the following fund:

The *Local Streets Fund* accounts for the financial resources of the general government that provide repairs and improvements to local streets in the Village.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges for services. Operating expenses for the enterprise fund include wages, benefits, supplies, utilities, charges for services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported a nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted as they are needed.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Village utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Village Council.
- The completed budgets are then presented to Village electors at a public budget hearing at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
- The budgets may only be amended by action of the Village Council.
- Budget appropriations lapse at fiscal year-end.
- Encumbrance accounting is not utilized.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budgets as amended by the Village.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Restricted Assets

Certain proceeds of the Village bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

7. Capital Assets

Capital assets, which include property, plant and equipment, vehicles and construction in process, are reported in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Building and structures	40 years
Sanitary sewer system	40 years
Water supply system	40 years
Trucks and vehicles	5 years
Machinery and equipment	7 – 20 years
Furniture and equipment	5 – 10 years

8. Property Taxes

Property taxes for the Village are attached as an enforceable lien on property as of July 1 of each year. The July 1 levy is intended to fund expenditures of the current fiscal year. Taxes are levied July and are due without penalty on or before September 15. Real property taxes not collected are returned to Ionia County for collection, which advances one hundred percent of the delinquent taxes to the Village. The collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

9. Long-Term Obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statements of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

The General Fund records all payroll costs and then charges these costs back to the Sewer Enterprise, Water Enterprise, Major Streets and Local Streets Funds. The General Fund records these amounts as reimbursement revenue.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2006, the Village carried commercial insurance to cover other risks of loss. The Village has had no settled claims resulting from these risks that exceeded their coverage in any of the past three fiscal years. There was no significant change in coverage during the year ended June 30, 2006.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Village in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Village in Michigan.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Balances at June 30, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Primary government:	
Unrestricted	\$ 526,970
Restricted	278,880
	<hr/>
	\$ 805,850
	<hr/> <hr/>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Village during the year are detailed as follows:

1. Independent Bank
2. Union Bank

June 30, 2006 balances are detailed as follows:

	Primary Government
	<hr/>
Cash equivalents	\$ 272,094
Deposits	330,541
	<hr/>
	\$ 602,635
	<hr/> <hr/>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned to the Village. Protection of Village cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Village's cash equivalents and deposits was \$602,635 and the bank balance was \$608,682. Of the bank balance, \$177,755 was covered by federal depository insurance and \$430,927 was uninsured and uncollateralized.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Investments

Investments consist of money market accounts held in a financial services account.

As of June 30, 2006 the Village had the following investments in their portfolio:

	<u>Primary Government</u>
Primevest Financial Services	<u><u>\$ 203,215</u></u>

Concentration of Credit Risk

The Village minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, through its diversification policy which states the objective of the Village is to protect principal by diversifying its cash management portfolio to the extent practical and within sound business practices.

Note C – Interfund Receivables/Payables and Transfers

Amounts due to/from other funds representing interfund receivable and payable balances at June 30, 2006 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Water Enterprise Fund	\$ 33,979	
Water Enterprise Fund:		
General Fund		\$ 33,979

Transfers between funds during the period ended June 30, 2006 for local streets were as follows:

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund:		
Local Streets Fund		\$ 25,000
Local Streets Fund:		
General Fund	\$ 25,000	

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Note D – Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance March 1, 2005	Additions	Retirements	Balance June 30, 2006
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 25,750	\$ -	\$ -	\$ 25,750
Capital assets, being depreciated				
Buildings and improvements	47,250	-	-	47,250
Machinery and equipment	359,900	1,700	-	361,600
Office equipment and furniture	9,500	2,300	-	11,800
	<u>442,400</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>446,400</u>
Less accumulated depreciation for:				
Buildings and improvements	19,283	\$ 1,106	\$ -	20,389
Machinery and equipment	135,843	13,737	-	149,580
Office equipment and furniture	6,460	863	-	7,323
	<u>161,586</u>	<u>\$ 15,706</u>	<u>\$ -</u>	<u>177,292</u>
Net Capital Assets -				
Governmental Activities	<u>\$ 280,814</u>			<u>\$ 269,108</u>

Depreciation expense was charged to Village governmental activities as follows:

Governmental activities:	
General government	\$ 3,055
Public works	<u>12,651</u>
	<u>\$ 15,706</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 58,500	\$ -	\$ -	\$ 58,500
Construction in progress	7,402	-	7,402	-
Capital assets, being depreciated				
Sewer system	522,971	-	-	522,971
Treatment facility	489,077	260,853	-	749,930
Water system	2,205,050	-	-	2,205,050
Improvements	44,770	-	-	44,770
Total capital assets	<u>3,327,770</u>	<u>\$260,853</u>	<u>\$ 7,402</u>	<u>3,581,221</u>
Less accumulated depreciation for:				
Sewer system	408,571	\$ 13,074	\$ -	421,645
Treatment facility	382,177	22,885	-	405,062
Water system	179,027	55,127	-	234,154
Improvements	38,415	3,050	-	41,465
Total accumulated depreciation	<u>1,008,190</u>	<u>\$ 94,136</u>	<u>\$ -</u>	<u>1,102,326</u>
Net Capital Assets - Business Activities	<u>\$ 2,319,580</u>			<u>\$ 2,478,895</u>

Depreciation expense was charged to Village business-type activities as follows:

Sewer operating	\$ 35,959
Water operating	<u>58,177</u>
	<u>\$ 94,136</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

Note E – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2006:

	Debt Outstanding July 1, 2005	Debt Added	Debt Retired	Debt Outstanding June 30, 2006
Business-type Activities				
Bond issues:				
Water system:				
September 28, 2001	\$ 1,630,000	\$ -	\$ 75,000	\$ 1,555,000
December 20, 2001	177,711	3,268	15,000	165,979
Total Business-type Activities	<u>\$ 1,807,711</u>	<u>\$ 3,268</u>	<u>\$ 90,000</u>	<u>\$ 1,720,979</u>

Long-term bonds at June 30, 2006 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Business-type Activities				
Water system:				
\$1,850M September 28, 2001				
Principal maturities of \$75M to \$115M	April 1, 2022	2.50	\$ 1,555,000	\$ 80,000
\$340M December 20, 2001:				
Principal maturities of \$10M to \$15M	April 1, 2022	2.50	165,979	10,000
Total Business-type Activities			<u>\$ 1,720,979</u>	<u>\$ 90,000</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2006 for the Water Enterprise Fund are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 90,000	\$ 43,026	\$ 133,026
2008	90,000	40,776	130,776
2009	95,000	38,526	133,526
2010	95,000	36,150	131,150
2011	100,000	33,776	133,776
2012	100,000	31,274	131,274
2013	105,000	28,776	133,776
2014	105,000	26,150	131,150
2015	110,000	23,526	133,526
2016	110,000	20,774	130,774
2017	110,000	18,026	128,026
2018	115,000	15,276	130,276
2019	120,000	12,400	132,400
2020	120,000	9,398	129,398
2021	130,000	6,400	136,400
2022	125,979	3,150	129,129
	<u>\$ 1,720,979</u>	<u>\$ 387,404</u>	<u>\$ 2,108,383</u>

Note F – Retirement Plan

The Village of Muir provides retirement benefits to its employees through participation in the Michigan Municipal Employees Retirement System, a defined benefit multiple employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan.

All full-time employees are eligible to participate in the Plan. Participants with 25 years of service may begin drawing out benefits at 50 years of age; those with 15 years of service, at age 55; and those with 10 years of service, at age 60.

Village employees are required to contribute 2.0% of their annual salaries to the Plan. The Village is required to contribute the amounts necessary to fund the Plan, using level percent of payroll funding principles.

The benefits of the Plan are determined by taking the member's five-year final average compensation multiplied by the percentage elected by the Village based on benefits chosen.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2006

The following summarizes the funded status of the plan:

Accumulated employee contributions, including investment income:	
Retirees	\$ 243,765
Current employees	23,766
Employer financed – vested	<u>141,365</u>
Total pension benefit obligation	408,896
Plan assets at cost (at market: \$227,982)	<u>234,152</u>
Unfunded pension benefit obligation at December 31, 2005	<u>\$ 174,744</u>

The rate of return on the investment of present and future assets was assumed to be 8.0% per year compounded annually.

Contributions to the plan for the period ended June 30, 2006 were \$17,181. The annual required contribution is \$13,152 for the fiscal year beginning July 1, 2006.

Note G – Stewardship, Compliance and Accountability

P.A. 621 of 1978 Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the sixteen-month fiscal period reported in the accompanying financial statements, the Village incurred expenditures in excess of the amounts appropriated, primarily due to using a twelve-month appropriation period and a sixteen-month reporting period, as follows:

Fund	Total Appropriations	Amount of Expenditures	Unfavorable Variance
General Fund	\$ 371,300	\$ 415,968	\$ 44,668
Major Streets Fund	\$ 63,900	\$ 90,285	\$ 26,385
Local Streets Fund	\$ 30,500	\$ 49,169	\$ 18,669

SUPPLEMENTAL INFORMATION

VILLAGE OF MUIR
General Fund
Schedule of Revenues
For the period ended June 30, 2006

	<u>2006</u>
Taxes:	
Current property taxes	\$ 79,321
Delinquent property taxes	<u>19,290</u>
Total taxes	<u>98,611</u>
 State sources:	
Sales taxes	106,811
 Intergovernmental sources:	
Reimbursement revenue	195,990
 Charges for services:	
Cemetery	10,428
 Interest:	
Interest on deposits and investments	5,045
 Other revenue:	
Expense reimbursements	4,053
Donations	2,100
Other revenue	<u>1,226</u>
Total other revenue	<u>7,379</u>
 Total Revenues	 <u><u>\$ 424,264</u></u>

VILLAGE OF MUIR
General Fund
Schedule of Expenditures
For the period ended June 30, 2006

	<u>2006</u>
Current:	
General government:	
Village council	\$ 14,363
General administration	129,553
Buildings and grounds	230,939
Legal and audit	1,589
Cemetery	823
Total general government	<u>377,267</u>
Public safety:	
Fire department	14,339
Ambulance	4,289
Total public safety	<u>18,628</u>
Recreation and cultural:	
Parks and recreation	4,498
Other village:	
Insurance and bonds	<u>15,575</u>
 Total Expenditures	 <u><u>\$ 415,968</u></u>

OTHER INFORMATION

VILLAGE OF MUIR
Schedule of Indebtedness
June 30, 2006

<u>Debt</u>	<u>Year Ended June 30</u>	<u>Interest Rate(%)</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2001 Water Revenue Bonds			<u>April 1</u>	<u>October 1</u>	<u>April 1</u>	
	2007	2.00	\$ 80,000	\$ 19,438	\$ 19,438	\$ 118,876
	2008	2.05	80,000	18,438	18,438	116,876
	2009	2.30	85,000	17,438	17,438	119,876
	2010	3.00	85,000	16,375	16,375	117,750
	2011	3.00	90,000	15,313	15,313	120,626
	2012	3.00	90,000	14,188	14,188	118,376
	2013	3.00	95,000	13,063	13,063	121,126
	2014	3.15	95,000	11,875	11,875	118,750
	2015	3.25	100,000	10,688	10,688	121,376
	2016	3.35	100,000	9,438	9,438	118,876
	2017	3.50	100,000	8,188	8,188	116,376
	2018	3.60	105,000	6,938	6,938	118,876
	2019	3.70	110,000	5,625	5,625	121,250
	2020	3.80	110,000	4,250	4,250	118,500
	2021	4.00	115,000	2,875	2,875	120,750
	2022	4.00	115,000	1,438	1,438	117,876
			<u>1,555,000</u>	<u>175,568</u>	<u>175,568</u>	<u>1,906,136</u>
2001 Water Revenue Bonds			<u>April 1</u>	<u>October 1</u>	<u>April 1</u>	
	2007	2.00	\$ 10,000	\$ 2,075	\$ 2,075	\$ 14,150
	2008	2.05	10,000	1,950	1,950	13,900
	2009	2.30	10,000	1,825	1,825	13,650
	2010	3.00	10,000	1,700	1,700	13,400
	2011	3.00	10,000	1,575	1,575	13,150
	2012	3.00	10,000	1,449	1,449	12,898
	2013	3.00	10,000	1,325	1,325	12,650
	2014	3.15	10,000	1,200	1,200	12,400
	2015	3.25	10,000	1,075	1,075	12,150
	2016	3.35	10,000	949	949	11,898
	2017	3.50	10,000	825	825	11,650
	2018	3.60	10,000	700	700	11,400
	2019	3.70	10,000	575	575	11,150
	2020	3.80	10,000	449	449	10,898
	2021	4.00	15,000	325	325	15,650
	2022	4.00	10,979	137	137	11,253
			<u>165,979</u>	<u>18,134</u>	<u>18,134</u>	<u>202,247</u>
Total Water Enterprise Fund			<u>\$ 1,720,979</u>	<u>\$ 193,702</u>	<u>\$ 193,702</u>	<u>\$ 2,108,383</u>

VILLAGE OF MUIR
Sanitary Sewer System
Combining Schedule of Disbursements
For the period ended June 30, 2006

	Collection System	Treatment Facility	Totals
Disbursements			
Labor	\$ 14,011	\$ 13,650	\$ 27,661
Clerical wages	4,325	1,442	5,767
Insurance	758	253	1,010
Legal and professional	2,500	2,500	5,000
Miscellaneous	855	-	855
Office expense	2,213	738	2,950
Rentals - sewer treatment	4,308	3,774	8,082
Repairs and maintenance	5,388	377	5,765
Samples	-	1,134	1,134
Schools and seminars	695	-	695
Treasurer's wages	1,390	-	1,390
Utilities	559	-	559
Total Disbursements	<u>\$ 37,001</u>	<u>\$ 23,867</u>	<u>\$ 60,868</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

October 17, 2006

To the Members of the
Village Council
Village of Muir
Muir, Michigan

During the course of our examination of the financial statements of the Village for the period ended June 30, 2006 the following came to our attention which we feel the Council should address in the upcoming fiscal year.

P.A. 621

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The expenditures in excess of the related appropriations are as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund	371,300	415,968	(44,668)
Major Street	63,900	90,285	(26,385)
Local Street	30,500	49,169	(18,669)

We recommend that the Village amend their budget as needed to ensure that expenditures do not exceed budgeted amounts.

To the Members of the
Village Council
Page 2
October 17, 2006

Reconciliation of Cash

During the course of our audit, we noted that the Village Treasurer is on a monthly basis correctly reconciling cash on the bank statements to the check stubs where a running balance is kept. This reconciliation needs to be further tied out to the cash balance in the general ledger. We recommend that the Village clerk and treasurer work together to perform this reconciliation. We are available to assist with this.

Shared Costs Of The Village Of Lyons:

Balance due from Village of Lyons –June 30, 2005	\$816
Treatment costs (47.35% of \$23,867)	11,301
Payments received from Lyons	<u>(12,816)</u>
Balance due to Village of Lyons –June 30, 2006	<u><u>(\$699)</u></u>

If you have any questions or desire any additional information on these recommendations, please let us know. We wish to thank the Village Clerk, Treasurer, and the other Village officials for their cooperation during the course of our examination.

Sincerely,



Phillip W. Saurman, CPA
Shareholder In Charge of Governmental Services